

Institutions, behaviour and economic theory

A contribution to classical-Keynesian
political economy

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1 Introduction

Observations on the state of alternative economic theory

In the fifties and sixties the evolution of the Keynesian message resulted in an alternative approach in economic theory which was first labelled neo-Keynesian economics and subsequently post Keynesian economics or political economy. Some of the founders of the new school clearly sought to reconcile the classical (Ricardian) theory of production, value and distribution based upon the surplus principle with the Keynesian theory of employment and output determination through effective demand; others mainly tried to preserve and to elaborate Keynes's heritage which was considered anticlassical because of its rejection of Say's law. In general, the post Keynesians wanted to overcome the neoclassical orthodoxy and consequently considered their approach to be progressive.

The notion 'post Keynesian' immediately gives rise to a definitional problem related to the title of the present book which is about 'classical-Keynesian political economy'. At this stage, it is sufficient to note that the latter is a historically based elaboration of the former, in which Quesnay, Ricardo, Marx and Keynes are of particular importance. The term 'post Keynesian' is defined in this section. At the end of the next section a working definition of 'classical-Keynesian' is provided. This notion is examined more fully in chapter 3 (pp. 76–81).

The return to classical economics starting from Keynesian ground is, indeed, the common theme in much post Keynesian work, for example some of Michal Kalecki's essays written as early as the thirties and forties (Kalecki 1971), Joan Robinson's *Accumulation of Capital* (Robinson 1965; 1st edn 1956), Nicholas Kaldor's articles on growth and distribution (for example Kaldor 1955/56) and, most importantly, Piero Sraffa's *Production of Commodities by Means of Commodities* (Sraffa 1960). More recently, Luigi Pasinetti presented a fundamental framework of analysis (Pasinetti 1977, 1981, 1993), in which Ricardian and Keynesian theoretical elements

are combined and elaborated. Kregel also sees the 'reconstruction of political economy' as a synthesis of Keynesian and classical elements of analysis (Kregel 1975). The same is true of Garegnani (Garegnani 1970, 1978/79, 1983, 1984, 1987). Geoffrey Harcourt greatly contributed to the spread of post Keynesian ideas (Harcourt 1977, 1982, 1986, 1992, 1993, 1995). The effort made by the late Krishna Bharadwaj to reappraise classical political economy deserves a special mention here (Bharadwaj 1986, 1989).

Since large parts of neoclassical equilibrium economics have moved quite far away from reality, as, for instance, the 'rational expectations' system clearly shows, one would have expected post Keynesian economics to gain ground with the change in the economic situation in the mid seventies when the post-war era of growth and optimism had come to an end. After all, Ricardo, Keynes and the post Keynesians have always endeavoured to explain aspects of the real world and to propose appropriate policy measures.

The contrary has happened, however. Explanation of reality has been widely replaced by a dogmatic belief in the blessings of an unrestricted free market system. In the field of economic policy, deregulation has become one of the key notions. This return to liberal fundamentalism, accelerated by the recent downfall of the centrally planned systems, has, quite naturally, been accompanied by sweeping successes of the traditional neoclassical school, that is of the neoclassical synthesis, general equilibrium theory, neo-Walrasian disequilibrium theory, monetarism, rational expectations, supply side economics and neo-Austrian economics. The neoclassical tide has not only swept away large parts of what has remained of Keynesianism proper but has also seriously hampered the rise of post Keynesianism. As a consequence, the post Keynesian alternative is not widely appreciated today. Only a tiny minority of economists adhere to it, and the movement even seems to have lost some ground in recent years.

In fact, it is normal that there should have been a neoclassical reaction against post Keynesianism. After all, post Keynesian economic theory is, in some respects, in direct opposition to neoclassical mainstream economics. What is worrying, however, is that there are deep cleavages within post Keynesianism. These have prevented the emergence of a coherent post Keynesian system until now. Presumably, this is the main reason why the new approach to economic problems has not yet found the recognition it deserves: 'few professors of economics seem aware of [the post Keynesian] alternative – and fewer still seem willing to expose their students to it' (Eichner 1978, p. vii).

This state of affairs has not changed in the recent past. In a recent German textbook (Felderer and Homburg 1989) post Keynesian economics and some leading authors are barely mentioned and post Keynesian

theory is not dealt with at all. The authors argue that this is impossible because a coherent post Keynesian system simply does not exist (Felderer and Homburg 1989, pp. 100–1). This important proposition is complemented, quite ironically, with a quotation from R. M. Solow who asserts that post Keynesianism is more of an ideology (*Weltanschauung*) than a science (p. 101n).

Certainly, there are, besides a possible lack of coherence, other reasons why post Keynesianism is widely ignored. One of these might be the difficulty of ‘escaping from habitual modes of thought and expression’ (Keynes 1973a, p. xxiii). There is also the Marxian point of view stating that theories find acceptance only if they serve the vested interests of some social group. Finally, one could argue with Thomas Kuhn that those who adhere to an old paradigm have to retire in order that a new paradigm may be established.

The problem of coherence seems particularly important because post Keynesian economists disagree, in a fundamental way, on the nature of their system. There are rather acrimonious discussions between post Keynesian subgroups going on. Harcourt distinguishes three different strands of post Keynesianism (Harcourt 1981). In the first place, there are the Keynesian Fundamentalists: Paul Davidson, Hyman Minsky and Sidney Weintraub, for example. A second group are the Robinsonians: Joan Robinson, Richard Kahn, Michal Kalecki, A. Asimakopulos, Jan Kregel and a group of Australian economists (Harcourt 1981, p. 5). Finally, there are the neo-Ricardians: Krishna Bharadwaj, John Eatwell, Pierangelo Garegnani, Heinz Kurz, Murray Milgate, Alessandro Roncaglia, Bertram Schefold and Piero Sraffa.

These lists are far from being exhaustive, nor is the classification set forth here something definite, since it could presumably be refined and rearranged in various ways. The point is simply to illustrate the variety of the post Keynesian movement. Well-known authors, like Phyllis Deane, Alfred Eichner, Donald Harris, Kenneth Galbraith, Nicholas Kaldor, Edward Nell, Luigi Pasinetti, Josef Steindl and Paolo Sylos Labini for instance, have not been included simply because of the difficulty in classifying them. The same is true of the German group of political economists around Adolph Lowe, for example Harald Hagemann and Peter Kalmbach.

A brief look at the basic tenets of each of these post Keynesian groups may help to bring the main divergencies into the open. The Keynesian Fundamentalists aim at preserving and developing the legacy of Keynes, that is the *Treatise on Money* and *The General Theory of Employment, Interest and Money*. Paul Davidson formulates their motto as follows: ‘[Our] analysis will be developed on the basic assumptions that in the real

world (1) the future is uncertain . . . (2) production takes time and therefore . . . someone must make a contractual commitment in the present involving performance and payment in the uncertain future, and (3) economic decisions are made in the light of an unalterable past, while moving towards a perfidious future. It is only under these three basic assumptions that the role of money in the real world can be analysed' (1978, pp. 7–8).

The Robinsonians see the essence of the Keynesian revolution in the fact 'that Keynes's *General Theory* smashed up the glasshouse of static theory [i.e. equilibrium economics]' (Robinson 1965, p. v). Equilibrium analysis ought, in their view, to be replaced by historical analysis where history is seen as a sequence of short-term events. This implies that 'the long period has no independent existence' (Harcourt 1981, p. 5). 'The long-run trend is but a slowly changing component of a chain of short-period situations' (Kalecki 1971, p. 165). The essential analytical tool of the Robinsonians is a two-sector model linking investment and profits or the rate of growth of capital and output and the rate of profit. This relationship between profits and growth is a familiar theme in classical economic theory. It is also present in the Marxian reproduction schemes of volume two of *Das Kapital* (Marx 1973/74a [1867–94], vol. II, pp. 391ff.) and in Keynes's Fundamental Equations set forth in the *Treatise on Money* (Keynes 1971b, vol. I, pp. 111ff.).

The neo-Ricardians strongly emphasize the classical origins of their theoretical views. Their starting point is the capital theory debate, the outcome of which has put to the fore the fundamental differences between neoclassical and neo-Ricardian theory in the fields of long-period value, distribution and employment (Garegnani 1970). The analytical core of neo-Ricardianism is the classical surplus approach to distribution (Garegnani 1984). The division of a given social product into real wages and the surplus (profits and rents) is essentially a social, not an economic or market phenomenon. Once distribution is determined normal prices are also fixed. These depend on the technical conditions of production and on distribution, i.e. equal profit rates everywhere or a hierarchy of desired rates. The given output need not equal full employment output, owing to a lack of effective demand. The neo-Ricardians also stress the importance of long-period analysis. Normal prices are supposed to be stable in the long run and are consequently seen as centres of gravity, around which short-period or temporary market prices fluctuate.

There are crucial differences between the three strands of post Keynesian thought. The Keynesian Fundamentalists emphasize uncertainty and the role of money in an uncertain world. They reject the importance of the capital theory debate and the various problems related to it, e.g. reswitching and measuring capital independently of distribution, which Davidson,

quoting F. H. Knight, sees as 'theoretical conundrums which are often debated with great joy and zest by economists who [according to F. H. Knight] essentially "are to make their living by providing pure entertainment" for other economists' (Davidson 1978, p. 7). Moreover, American Keynesian Fundamentalists 'do not want to know about the Classical-Marxian roots' (Harcourt 1981, p. 2) of both the neo-Ricardian and the Robinsonian variants of post Keynesian economics.

On these points the neo-Ricardians would strongly disagree. In particular, they emphasize the crucial importance of the capital theory debate. The neoclassical theory of value and distribution (supply and demand determine prices in both the short and the long runs) is shown to be wrong for the long run; moreover, even under ideal conditions, i.e. perfectly functioning markets, there may be no tendency towards full employment in any neoclassical world. Hence in the neo-Ricardian view, the capital-theoretic critique eliminates neoclassical theory as a long-period approach to economic problems and is a necessary prerequisite for the setting forth of a neo-Ricardian long-period economic theory. Consequently, the neo-Ricardians want to get rid of the neoclassical vestiges in Keynes's *General Theory*, that is the theory of investment contained in chapter 17 and the first (neo)classical postulate (the real wage equals the marginal product of labour). Both might provide starting points for reintroducing neoclassical methods to analyse long-period problems.

Uncertainty and money are, in the neo-Ricardian view, not very important in the long run, where the normal prices are determined by technology and institutions. Uncertainty, indeed, plays a minor role if the normal functioning of institutions is expected to continue with a high degree of confidence.

However, the Robinsonians would tell the neo-Ricardians that uncertainty is very important and that, therefore, long-period analysis associated with normal prices and quantities does not make much sense: '[Uncertainty] destroys the basis of [neo]classical economic theory which, in Keynes's words, is "one of these pretty, polite techniques which tries to deal with the present by abstracting from the fact that we know very little about the future". [Thus,] long-period movements are obtained by linking up a sequence of short-period results – they have no independent existence' (Asimakopulos 1983, p. 31), a statement which also applies to neo-Ricardian long-period theory. To this the neo-Ricardians would reply that it is not sufficient to develop a theory of fluctuations. A theory of the long-term trend is also required since it matters whether fluctuations are around trends implying lower or, in contrast, higher levels of persistent unemployment (Garegnani 1983).

This brief review illustrates that there are deep cleavages within the post

Keynesian movement. This largely explains why neoclassical economists, even those who are conscious about the weaknesses of their approach, are reluctant to take post Keynesianism seriously. They simply do not find a coherent system which is ripe for textbook presentation and, thus, for teaching. As a consequence, post Keynesian economics remains, in a way, sectarian.

At the end of her life Joan Robinson clearly perceived the issue at stake. On the one hand, she recognized the need for synthesis within post Keynesianism: 'Keynes evidently did not make much of [Sraffa's neo-Ricardian work] and Sraffa, in turn, never made much of the *General Theory*. It is the task of post-Keynesians to reconcile the two' (Robinson 1978, p. 14). On the other hand, she felt that the undertaking would not be easy: 'Post-Keynesian theory has plenty of problems to work on. We now have a general framework of long- and short-period analysis which will enable us to bring the insights of [Ricardo,] Marx, Keynes, and Kalecki into a coherent form and apply them to the contemporary scene, but there is still a long way to go' (p. 18). Some of it we attempt to cover in the subsequent chapters.

Problems and plan

The aims pursued in this study follow from the above-mentioned lack of coherence of alternative economic theory. First, an attempt is made to argue that there is room for a synthesis of classical and Keynesian elements of analysis on the basis of their respective historical heritages (chapter 4). Consequently, it should be possible in a further step, not to be undertaken here, to set up a coherent classical-Keynesian system by elaborating the present study; this could mean writing treatises on classical-Keynesian political economy. Second, in order to bring out the significance of this approach within economic theory, it seems important to identify the fundamental differences between classical-Keynesian political economy and neo-classical equilibrium economics (chapter 5). Third, and most importantly, it is attempted to argue that the classical-Keynesian system may be considered the political economy of the intermediate or middle way between liberalism and socialism. This argument requires a look at some fundamentals in the social sciences (chapter 2) and in classical and Keynesian political economy itself (chapter 3). In the final chapters, 6 and 7, a wider view is taken of a few crucial problems of economic theory and policy, of the social sciences and of social philosophy.

These aims are related to an extremely complex subject matter comprising various issues of content and method in the social sciences in general, and in political economy and in economics more particularly. As a conse-

quence, the problem posed here cannot, in our view, be dealt with by a series of neatly defined piecemeal studies since this would only aggravate the current confusion in economic theory. A global approach therefore seems indispensable because, in a Keynesian vein, 'society and thinking about society make up an immensely complex organic whole'. Some preliminary explanations with respect to content and method are thus required. From these a more detailed plan of the study will broadly emerge. The study's limitations, mainly its tentative and preparatory character, will also become apparent. In fact, the present contribution merely intends to explore the subject matter in order to point to the direction to move in. This exploration necessarily comprises a historical dimension since the present theories rest on the basic ideas of the great authors of the past.

In this book we conceive of classical-Keynesian political economy as a synthesis of Ricardo and Keynes. This simplifying definition poses two problems. The first is about the relationship between Adam Smith and David Ricardo and is associated with the meaning of 'economics' and of 'political economy' respectively; this problem will be discussed in chapter 3 (pp. 75–89). The second issue concerns Keynes and Ricardo whose theoretical systems are, at first sight, sharply opposed. For example, Keynes mentions that the neglect of 'the aggregate demand function is fundamental to the Ricardian economics' (1973a, p. 32) and conceives his *General Theory* as an attempt to repair this defect of the Ricardian system. Or, the neo-Ricardian equilibrium system pictured in Sraffa (1960) stands in sharp contrast to the *General Theory* where uncertainty about the future figures prominently. Some issues related to Keynes and Ricardo are discussed in chapter 3 and a possible synthesis is suggested in chapter 4. There it emerges that classical and Keynesian theories are complementary rather than mutually exclusive: classical political economy deals with objective and historically grown structural factors – the institutional and technological system – while Keynesian theory focuses on the behaviour of individuals and their co-ordination by the socioeconomic system within given structures. The former deals with normal magnitudes (prices, profit rates and employment levels) associated with stock equilibria and determined by the functioning of the socioeconomic system; the objects of the latter are actually realized magnitudes resulting from the decisions taken by individuals in the past and in the present on the basis of expectations about the future.

The fundamental importance of Ricardo's system and its modern neo-Ricardian elaboration by Sraffa (1960) and Pasinetti (1977, 1981, 1993), on the one hand, and of Keynes's theory and its development, on the other, gives rise to a definitional question. Why not simply call modern political economy either *neo-Ricardian* or *post Keynesian* rather than *classical* or

classical-Keynesian? The main reason is that the neo-Ricardian theory of value and distribution as developed by Sraffa and his followers has been widely used for critical (negative) purposes. It should be remembered that Sraffa's (1960) book carries the subtitle 'Prelude to a critique of economic theory'. Subsequently, the ideas set forth there have indeed become the conceptual starting point for a fundamental critique of neoclassical equilibrium economics in the course of the capital theory debate. The theoretical discussions on fundamentals have, since the late sixties, turned into a bitter ideological struggle, the significance of which can be understood best by recalling that the subtitle of Marx's *Kapital*, i.e. *Kritik der politischen Ökonomie*, strongly resembles the subtitle of Sraffa's (1960) work. Subsequently, Ricardo and neo-Ricardianism were associated with Marx and Marxism. The sinister atmosphere of the Cold War led to further associations. Marx's work was largely equated with Soviet communism or even with Stalinism. Associations like these are clearly due to sheer ignorance or to fundamental misunderstandings but are, consciously or unconsciously, present in the mind of many social scientists. Therefore, even in the context of generalized *détente*, some care is still required when speaking of Ricardo. Similarly, post Keynesianism was, and still is, associated with criticism and, as suggested in the previous section, does not form a comprehensive and consistent theoretical system.

In the subsequent chapters of this book it will become evident why modern political economy should be termed *classical* or *classical-Keynesian*. Classical political economy in the Ricardian sense implies a vision of society that is entirely different from the conventional liberal vision which is ultimately based upon Adam Smith's system (chapters 2 and 3). In the former the question of proportions, i.e. part-whole relations, is fundamental, and this implies that society is primary and is more than the sum of its parts. This is not the case for the latter where the individual stands in the forefront and society is derived from individual behaviour.

However, the term 'classical' must be complemented by the attribute 'Keynesian', either implicitly or explicitly. Consequently we shall use the notions 'classical' and 'classical-Keynesian' interchangeably in the following, but with a preference for the latter. The point is that classical political economy is intimately associated with Say's law; in fact, Thomas Malthus was not able to convince the political economists of his time that effective demand might limit the accumulation of capital. Consequently, Ricardo and his modern followers have, starting from the circular process of production, worked out a long-period theory of value and distribution (Ricardo 1951 [1821]; Sraffa 1960; Pasinetti 1977, 1981). This means dealing with proportions, *given* the scale of economic activity. Yet, to work out a long-period theory of employment and output along Keynesian lines,

i.e. a theory of the scale of economic activity, is indispensable in establishing a synthesis of classical and Keynesian elements of analysis. Such a theory is, in fact, required to replace the classical and neoclassical long-period full employment theories based on different versions of Say's law. A combination of the classical approach to value and distribution and Keynesian employment theory based on the principle of effective demand will then emerge. Given the overwhelming importance of this principle, which allows one to catch the influence of the *whole* socioeconomic and political system on the scale of economic activity (chapter 4, pp. 142–204), the attribute *Keynesian* to complement the term *classical* is fully justified to denote non-orthodox efforts made to explain what is going on in the real world.

This point is reinforced by the fact that Keynes was not just a conventional economist, but a social scientist in the broader sense of the word who sought to establish a middle-way alternative to both *laissez-faire* and central planning (see Fitzgibbons 1988, pp. 1–2). Keynes's work is based on a clear-cut social and political philosophy and on a fundamental theory of knowledge (Keynes 1971c). The latter adapts traditional metaphysical thinking, based on deductive logic associated with certainty, to modern scientific requirements, taking due account of the tentative and imperfect nature of human intellectual activities. These essential points have been extensively argued by Fitzgibbons (1988) and O'Donnell (1989). Keynes's all-embracing vision of things constitutes a crucial element in laying the foundations for a comprehensive classical-Keynesian system (chapters 2 and 7).

The principal aim of this study is precisely to suggest that classical-Keynesian political economy may be considered the economic theory of the *third-way* alternative to both liberalism and socialism. This requires a wider view of the social sciences that would allow for a search for principles which, on the one hand, could serve as a basis to enhance the coherence within the classical-Keynesian system and, on the other, could establish the position of this system as the political economy of the *middle way*. To prepare the ground, a few fundamentals are examined in the next two chapters. Some basic issues in the social sciences are discussed in chapter 2. Starting from a specific definition of the 'social' and from the concept of 'institution', observations are made on the relationship between social philosophies and the social sciences, on ethics and economics and on determinism and causality. Subsequently, some issues of knowledge about social affairs are sketched. Fundamentals related specifically to classical-Keynesian political economy are set forth in chapter 3 which begins with some definitional issues and continues with a sketch of the classical-Keynesian vision of society and the role institutions play therein.

Institutions are particularly important with the old classicals. Therefore, in the subsequent section, the theoretical heritage of classical, and physiocratic, political economy is briefly examined; there it is suggested that the classical system of thought needs to be complemented by Keynesian economic theory. The final two sections of this chapter are methodological. The former outlines a very general framework to broadly systematize theoretical work; the latter provides some hints as to how a classical-Keynesian synthesis might supply a framework to help organize historical investigations. This important methodological point will be taken up at several places, e.g. in chapter 4 (pp. 241–51).

Subsequently, an attempt is made to clear the way to develop a classical-Keynesian synthesis (chapter 4). Since a large body of classical-Keynesian theories already exists, the emphasis is laid on filling gaps and on suggesting how existing pieces of classical and Keynesian theory might be combined. The latter are not presented explicitly. Only comments will be made and implications brought out.

The most obvious gap is the lack of a comprehensive long-period theory of employment, and this is sketched in the third section of chapter 4. Starting from the basis laid by Pasinetti (1981) it will become evident that, presumably, no major difficulties exist in combining long-period theories of employment and output along Keynesian lines with neo-Ricardian views on value and distribution. This long-period (neo-Ricardian and Keynesian) basis may be combined with Robinsonian or Kaleckian cycle-cum-growth theory. Finally, some suggestions are given as to how uncertainty and money might be integrated into a classical framework.

Chapter 5 deals with some fundamental differences between classical-Keynesian political economy and neoclassical economics. Initially a few divergences with respect to content and method are discussed. Later, some implications hidden behind the premises underlying the two approaches are examined, and the crucial importance of the capital theory debate for discriminating between the classical-Keynesian and the neoclassical approaches on the theoretical level is set forth.

The final chapters, 6 and 7, attempt to uncover the practical relevance and the deeper social and philosophical meaning of classical-Keynesian political economy.

On the methodological level the present study represents an extension and application of Ricardo's *essentialist method* (Pribram 1986, p. 597) put to use in his *Principles of Political Economy and Taxation*. Observable reality, i.e. empirical facts, appearances or phenomena, merely provide the starting point to consider *principles* in various domains of the social sciences, mainly political economy and economics, and, if necessary, in social philosophy, politics, law and sociology. To deal with principles means

looking for essentials and enables the theorist to set up and to combine simple causal models, for example Keynesian multiplier models and production models of the Sraffa–Pasinetti type.

Principles and the associated essentials are perfectly general and hold at all times and places. For example, Keynes's multiplier principle – a short-period specification of the principle of effective demand – aims to explain the determination of the short-period level of employment in general, not for some specific country or region. The 'general' is the domain of pure theory. If the level of abstraction were lowered to consider particular cases, clarity would be lost and exposition would become exceedingly complex because specific applied models which reflect the different institutional set-ups prevailing in various countries and regions would have to be developed. This is the task of practical and specialized social scientists who are familiar with particular situations, not of the theoretical economist. Hence to identify fundamentals and to discuss principles allows us to keep the size of the present study manageable.

In the social sciences, perhaps even more than in the natural sciences, the complexity of the object of inquiry, i.e. society, requires dealing with principles. Society is an interrelated whole which, as will be suggested, is something more than the sum of its elements. Individuals act within social structures, i.e. systems of (complementary) institutions, having laws of their own whereby actions and structures mutually influence each other. Aspects of the social structure and of the behaviour of individuals may be analysed separately, but links between these different aspects of reality have to be established continuously in the light of the broad functioning of society as a whole, whereby account has to be taken of how the latter is perceived. Moreover, since each historical situation is unique, analysis and synthesis on the theoretical level have to be complemented by an understanding of unique socioeconomic phenomena if specific historical investigations are undertaken. Given the complexity of the object, the premises underlying social theories cannot be found empirically. These are derived from the vision held by the theorist; however, empirical facts, i.e. real world phenomena, initiate, as a rule, systematic reasoning.

The highly complex subject matter considered, combined with the fact that the study of principles is primary, has various implications. First, it will be seen in chapter 4 that classical-Keynesian political economy cannot consist of a single all-purpose basic model – such as the general equilibrium model – to be put to use mechanically to explain *all* economic events on the basis of a single principle, e.g. supply and demand. Purely theoretical and fundamental models (e.g. Pasinetti 1981), which picture *essential* features of some sphere of reality, are merely *part* of a comprehensive classical-Keynesian framework, which consists of pure *and* applied theory; the

structure of Keynes's *Treatise on Money* provides a good example of this classification: volume I is denoted 'The pure theory of money', volume II 'The applied theory of money'. The body of pure theory is perhaps best seen as a combination of a set of causal models, each of which is designed to explain on a fundamental or essential level – that is, in principle – some important socioeconomic phenomenon, for example value, distribution or employment (chapter 3, pp. 103–18, and chapter 4, pp. 142–204). Since social phenomena are organically interrelated, classical-Keynesian economics will have to be, essentially, political economy and must, as such, be closely linked to other social sciences (sociology, politics, law, history). To ensure coherence between the various social sciences these must be based on a vision of man and society, which, in turn, requires a social philosophy (chapter 2).

If classical-Keynesian theory were not put into a wider philosophical framework, there would be the danger of its becoming an auxiliary theory to be used to repair certain defects of liberal or, eventually, socialist economics; for example, Keynesian economics was absorbed by Samuelson's neoclassical synthesis. The reason is that the rival approaches, neoclassical economics and the economic theory of socialism, are themselves based on social philosophies, i.e. liberalism and socialism; this partly accounts for the powerful impact on policy-making of neoclassical economics and of the economic theory of socialism. Hence the social philosophy underlying classical-Keynesian political economy and the way in which it is linked with other social sciences must be sketched broadly if the attempt to establish an alternative to neoclassical and to socialist economic theory is ultimately to succeed (chapters 2, 3, 5 and 7).

Second, given the great number of problems arising, it is inevitable that most of them can only be outlined. For example, at various points, suggestions are made on how to integrate uncertainty into the classical-Keynesian framework (specifically in chapter 3, pp. 103–18, and chapter 4, pp. 220–9). The precise way in which this is to be done on the basis of existing work (by Keynes, Davidson, Minsky and Shackle, for instance) is left to the specialized reader. Thus, whenever issues are simply raised, presentation is necessarily very sketchy, leaving to the reader the task of completing the picture. However, when it seemed clear that gaps had to be filled, a more specific and textbook-like way of presentation was adopted. This especially holds for chapter 4 (pp. 142–204) where a long-period theory of output and employment determination is outlined.

Third, the complexity of the object of investigation renders some repetitions unavoidable in spite of the fact that the analysis is confined to a few fundamentals only. The same point has to be taken up in different contexts, which, it is hoped, will make reading easier. However, since the vision of